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CITY OF WALNUT CREEK  
Walnut Creek, California

Single Audit Report on Federal Awards

Year ended June 30, 2009

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CITY OF WALNUT CREEK  
Single Audit Report on Federal Awards  
Year ended June 30, 2009

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**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

84 South First Street, Third Floor  
San Jose, California 95113  
408-794-3545 ph  
408-295-3818 fx  
www.mhm-pc.com

Honorable Mayor and City Council  
City of Walnut Creek, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the City of Walnut Creek, California (City) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Walnut Creek's internal control over financial reporting (internal control) in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We noted other matters involving internal control over financial reporting that we have reported to the City Council of the City of Walnut Creek in a separate letter dated December 11, 2009.

Honorable Mayor and City Council  
City of Walnut Creek, California  
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of City management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman Mc Cann P.C.*

San Jose, California  
December 11, 2009

Honorable Mayor and City Council  
 City of Walnut Creek, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
 MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON  
 THE SCHEDULE OF FEDERAL AWARDS IN ACCORDANCE WITH OMB  
 CIRCULAR A-133**

Compliance

We have audited the compliance of City of Walnut Creek with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Walnut Creek's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Walnut Creek's management. Our responsibility is to express an opinion on the City of Walnut Creek's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Walnut Creek's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Walnut Creek's compliance with those requirements.

In our opinion, the City of Walnut Creek complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Walnut Creek is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Walnut Creek's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City of Walnut Creek's internal control over compliance.

Honorable Mayor and City Council  
City of Walnut Creek, California  
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A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures and Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walnut Creek as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Walnut Creek's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of City management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*Mayer Hoffman McCann P.C.*

San Jose, California  
December 11, 2009



# CITY OF WALNUT CREEK

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
U.S. Department of Housing and Urban Development			
Direct Assistance:			
Community Development Block Grant	14.218	B-05-MC-06-0030	\$ 98,747
Community Development Block Grant	14.218	B-06-MC-06-0030	333,203
Community Development Block Grant	14.218	B-07-MC-06-0030	329,539
Community Development Block Grant	14.218	B-08-MC-06-0030	253,646
Community Development Block Grant	14.218	B-09-MC-06-0030	85,628
Subtotal U.S. Housing and Urban Development			<u>1,100,763</u> *
U.S. Department of Justice			
Direct Assistance:			
Office of Justice Programs, Bureau of Justice Assistance			
2006 Bulletproof Vest Grant Partnership Program	16.607	2006BUBX06134453	2,822
2007 Bulletproof Vest Grant Partnership Program	16.607	2007BUBX07040469	<u>4,202</u>
Subtotal U.S. Department of Justice			<u>7,024</u>
U.S. Department of Transportation			
Pass-through from the State of California:			
Highway Planning and Administration	20.205	STPL-5225 (019)	<u>540,000</u>
U.S. Department of Health and Human Services			
Pass-through State of California Office of Homeland Security			
2008 State Homeland Security Grant	97.073	n/a	<u>258,212</u>
Total expenditures of federal awards			<u>\$ 1,905,999</u>

\* Major program

n/a - Not available

See accompanying notes to the schedule of expenditures of federal awards

## CITY OF WALNUT CREEK

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Walnut Creek that are reimbursable under the programs of federal agencies providing financial assistance. For the purposes of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

(c) Subrecipients

During the fiscal year ended June 30, 2009, the City disbursed \$1,100,763 to subrecipients to be used for the federally allowable expenditures in accordance with the grant agreements.

(d) Loans Outstanding

At June 30, 2009, outstanding loans under the U.S. Department of Housing and Urban Development – Community Development Block Grant program were \$344,505 at June 30, 2009. Amounts expended from loan proceeds are reflected in the accompanying Schedule of Federal Awards.

CITY OF WALNUT CREEK  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control over financial reporting.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was as follows:
  - Department of Housing and Urban Development – Community Development Block Grant Entitlement – CFDA #14.218
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee was considered a low risk auditee for the year ended June 30, 2009 for the purposes of determining major programs.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There were no findings.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

There were no auditors' findings required to be reported in accordance with paragraph .510(a) at OMB Circular A-133.

CITY OF WALNUT CREEK  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2009

There were no prior audit findings from the previous audit reports requiring follow up during the year ended June 30, 2009.